

## Message Text

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ORIGIN OPIC-06

INFO OCT-01 AF-06 ISO-00 EB-07 COME-00 TRSE-00 /020 R

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P 022212Z APR 76  
FM SECSTATE WASHDC  
TO AMEMBASSY GABORONE PRIORITY

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: SODA ASH PROJECT, AND TAKEOVER BID FOR GULF  
RESOURCES

REF: GABORONE 526

1. RECENT DISCUSSION WITH HOLT DISCOURAGING. WILL MAKE HIS  
PRESENTATION TO EXECUTIVE COMMITTEE OF GULF BOARD NEXT WEEK  
AND EXTREMELY SKEPTICAL OF COMMITTEE REACTION TO PROPOSAL AS  
NOW STANDS. HOLT CABLED GAOLATHE TWO WEEKS AGO WITH REQUEST  
GOB RECONSIDER STAND ON ARBITRATION AND FIXED MINIMUM  
ROYALTY BASE. GAOLATHE REPLIED GOB WOULD AGREE TO ARBITRA-  
TION IN GENEVA SWITZERLAND IF GULF PAID EXPENSES OF BOTSWANA  
DELEGATION, AND GOB WOULD REDUCE MINIMUM ANNUAL ROYALTY BASE  
TO ONE MILLION DOLLARS PLUS, BUT NOT ELIMINATE IT. BOTH  
CONDITIONS UNACCEPTABLE TO GULF.

IN FACT GULF NEGOTIATING FLEXIBILITY ON BOTH POINTS  
APPARENTLY EXTREMELY LIMITED. ACCORDING HOLT, RIGOROUS  
RE-EVALUATION OF PROJECT INDICATES INCREASED CAPITAL INVEST-  
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MENT WILL BE REQUIRED (PONDS AND STORAGE FACILITIES). IN

ADDITION MINIMUM ROYALTY PAYMENT REQUIREMENT, PARTICULARLY IN EARLY, LOW CASH FLOW YEARS, IN EFFECT FURTHER INCREASES CAPITAL COSTS. AS RESULT, ATTRACTIVENESS OF INVESTMENT REDUCED TO MARGINAL LEVEL.

CHANGE IN TECHNICAL PARAMETERS COUPLED WITH GULF UNWILLINGNESS TO BUDGE ON ISSUES OF ROYALTY BASE AND ARBITRATION REDUCE CHANCES OF GULF PROCEEDING WITH PROJECT FROM QUOTE NINETY PER CENT TO LESS THAN FIFTY-FIFTY END QUOTE. PROJECT WILL BE QUOTE DROPPED FROM FURTHER CONSIDERATION END QUOTE, IF COMMITTEE REJECTS PROPOSAL IN UPCOMING MEETING.

COMMENT: OPIC BELIEVES PROJECT ON VERGE OF FALLING APART UNLESS IMMEDIATE, SIGNIFICANT CHANGE IN GOB POSITION.

2. HOLT REQUESTS EMBASSY INTERVENE HOWEVER POSSIBLE TO ASSURE GAOLATHE AWARE OF GULF STAND, AND GOB NEED TO ACCEPT IN PRINCIPLE GULF PROPOSALS ON ARBITRATION AND ROYALTIES IF GULF TO CONTINUE FURTHER. EXECUTIVE COMMITTEE MEETING SCHEDULED FOR NEXT WEEK, TH'S RESPONSE NEEDED AS SOON AS POSSIBLE.

3. REFTTEL: PER EMBASSY REQUEST OPIC CONTACTED HOLT TO ASSESS BECKER INDUSTRIES TAKEOVER BID. HOLT CONFIRMED ATTEMPT BUT SAID EFFORT WAS DROPPED TWO WEEKS AGO. HE EXPECTS NO FURTHER ACTION IN THAT REGARD. DECLASSIFY OCTOBER 1, 1977. KISSINGER

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## Message Attributes

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